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MEXICO AND THE UNITED STATES: THE NEXT TEN YEARS. REPORT ON A C--ETC(U)
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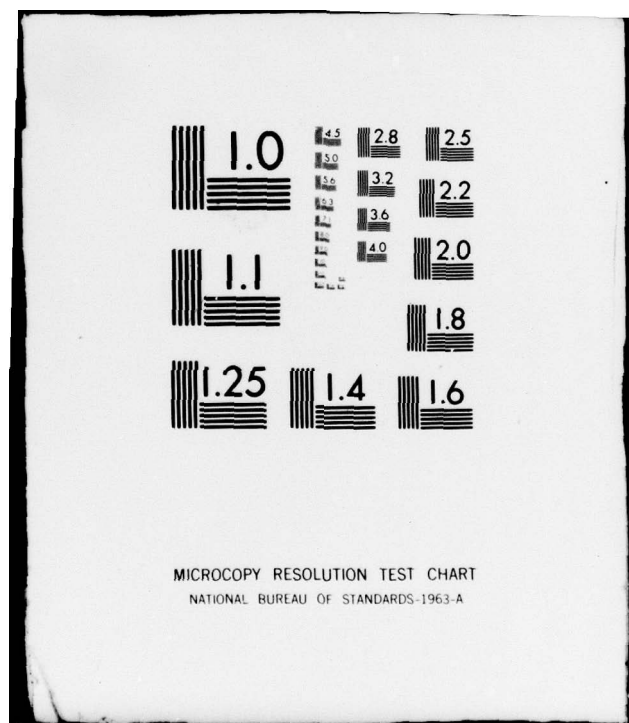
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DEPARTMENT OF STATE

Washington, D.C. 20520

MEMORANDUM

TO : INR/XR - Daniel Fendrick

FROM : INR/RAR - William L. Krieg

SUBJECT : Mexico and the United States: The Next Ten Years,
A Symposium

On March 18 and 19, 1976 a symposium on the above topic was held at American University with the support of the Office of External Research. The consensus of panelists and discussants was that the next ten years are likely to see a continuation of existing trends in Mexican-United States relations rather than any radical changes. Since the advent of the Echeverria administration Mexico had attempted to lessen its dependence on the United States and increase its options by drawing closer to the Third World countries and especially to the countries of the Caribbean area. At the same time Mexico had been active in multilateral forums successfully pushing through the UN Assembly a proposed Charter of Economic Rights and Duties of States and becoming a principal founder of the Latin American Economic System (SELA). While some doubt was expressed about the long range value of these achievements, it seemed unlikely that Mexico would carry its quest for non-dependency to illogical extremes. For example, Mexico's regulation of foreign investment was proving mutually acceptable.

Most speakers thought that, although the Mexican political party PRI enjoyed reduced popular support, no challenge from opposition groups appeared likely to succeed on a national scale. The growing gap between the common people and the technically trained elite now holding power was thought to constitute a potential problem, but the vigorous efforts of the leadership to ascertain popular desires was noted. Some commentators anticipated more political awareness and activity because of higher educational levels and increased urbanization, but others thought the present governmental style well adapted to the interests of the growing middle class.

The course of Mexican politics and to a considerable extent Mexico's relations with the United States was seen to depend on the economic situation. Although Mexico had experienced rapid growth since World War II, the benefits had not been widely distributed. Only by improved opportunities for remunerative employment could large-scale migration to the United States - legal and illegal - be substantially reduced; efforts to stop it by force would gravely intensify Mexico's domestic problems. On the positive side, panelists noted an upswing

in the U.S. economy which should benefit Mexico; increased investment in agriculture bringing hope that Mexico might become self-sufficient in foodstuffs; and the prospect of greatly increased oil production and eventual export. On the negative side, concern was expressed that Mexico's foreign debt had become unmanageable and that drastic measures - perhaps a moratorium - might have to be taken, measures which would have serious repercussions in the U.S.

There was general agreement with Ambassador Olloqui's concluding remarks that the Mexicans and the Yankees were pragmatic people and that, by mutual forbearance and discussion, the minor irritants in our relations should be removed.

A copy of the symposium program and a summary of the papers and discussions are attached.

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MEXICO AND THE UNITED STATES - THE NEXT TEN YEARS

The American University

March 18 and 19, 1976

The symposium was opened by Gregory B. Wolfe, Dean of the School of International Service of the American University with the assistance as Co-Chairmen of His Excellency, the Ambassador of Mexico, Jose Juan de Olloqui, and the Honorable Joseph John Jova, U.S. Ambassador to Mexico. The participants rose and observed a minute of silence in honor of the memory of Dr. Daniel Cosío Villegas, who, until his death the week before, had been scheduled to take part in the symposium, and Ambassador Jova paid tribute to Dr. Cosío's deep understanding of Mexico's political processes. Ambassador Jova also pointed out that Mexico and the United States have a special relationship whether they want it or not, a relationship which has existed since the U.S. War for Independence.

While noting the existence of many problems, he stressed the mutually beneficial nature of our relations.

Ambassador de Olloqui expressed appreciation that the symposium had been dedicated to Dr. Cosío Villegas and hoped the endeavor would be successful.

Political Trends In Mexico Over The Next Decade

Rafael Segovia, Colegio de Mexico

Dr. Segovia saw the major problem of the immediate future in the growing technocratic control of the Mexican government, and the consequent lack of understanding between the authorities and the people.

He said that the Mexican constitution provided for a democratic, pluralist and representative government but that in practice certain modifications of the system had had to be adopted in building a national state with the result that power was centralized in the executive, and that intermediate institutions such as parties, unions, employers' associations and universities were either creations of the state or had accepted the rules which the state had established.

In these circumstances the role of an opposition party was not to compete for power or to share it, but rather to confer legitimacy upon the government established by the Mexican Revolution, the need for which had been increasingly felt, especially since 1968. The elections of 1973 had clearly shown the erosion of the PRI's appeal in the large cities and the danger of relying on the electoral procedures to confer legitimacy on the government. *and get in 1976...*

However, its electoral triumphs had brought the principal opposition party, PAN, to the brink of disaster: split between traditional and extreme right-wing groups, the PAN has been unable to agree on a presidential candidate. thus reducing the election this year to a plebiscite. This in turn raises the specter of massive abstention by the electorate.

The nominations of the PRI for the Presidency as well as for seats in Congress are heavily weighted with "technocrats" - well-trained and experienced administrators but lacking contact with the common people. The "technification" and bureaucratization of the state leads to the displacement of the traditional politicians - the local caciques - who customarily mediated between the common people and the central authorities. The technocrats neither like nor understand politics; they are more skilled in reaching understandings with special interest or pressure groups than with parties or labor unions.

Due to the demographic explosion and the general growth of the country, the Mexican state finds itself besieged by a variety of conflicts: land seizures by landless peasants, rebellion against the established leadership of the unions, opposition of the business interests and growing demands from the youth. However, while the state has in the past been able to solve pragmatically the problems of organized groups, there is no real spokesman when decisions must be made regarding the interests of the nation as a whole. On one hand, the authoritarian state cannot permit the existence of any representation which would endanger its monopoly of decision-making and perhaps permit disputes to escalate out of control; but on the other hand, authoritarianism runs the risk of overlooking large sectors of the nation for which it has no convincing reply, as was the case of the student movement in 1968. Dr. Segovia concluded: "The decision, at least in the short run, regarding the reordering of the Mexican political system, is in the hands of the state; the state will decide whether it will grant greater representation to the nation as a whole or whether, on the contrary, authoritarian tendencies are to be strengthened."

Comments by Dr. Evelyn Stevens, formerly Loyola University of Chicago

Dr. Stevens considered economic problems the major ones in the coming decade. While Mexico had experienced rapid growth in the 50's and 60's, the benefits had not "trickled down" to the masses of people. Recently more attention had been paid to the equitable distribution of wealth, and she saw no reason why opposition to the government could not be contained. However, she noted the impatience of

technocrats with political processes and thought it possible, in case of strong opposition, that they might be tempted to use force as had happened in 1968; in such an event the military might be called upon to enforce the decisions of the central authorities. Later, in response to a question, Dr. Stevens made it clear that she did not expect a military coup in Mexico in the foreseeable future but wished to point out the similarity between the thought patterns of the technical men and the military which might have long range significance.

Dr. Roderic A. Camp, Central College, Iowa

Dr. Camp also expressed concern about the increasing homogeneity of the Mexican leadership and their non-representative character. Unquestionably their technical preparation had improved, but was the same true of their political "feel"? Labor and the farming sectors were under-represented in the government, while the views of business were at odds with those of the government administrators. Dr. Camp noted, however, that increased governmental resources are being invested in the rural areas.

Questions/Comments from the floor

The bulk of the questions related to the role of technicians vs. politicians in Mexican affairs. Several persons questioned whether the technocrats were as removed from the people as the speaker had implied. How could a man get to occupy a top position in the government without political skills? Dr. Segovia replied that technicians may be excellent at bureaucratic in-fighting and as brokers between organized interest groups, but that they were not in touch with the grass roots. Both Dr. Segovia and Dr. Stevens noted that there was considerable popular opposition to the tecnicos, and the latter compared them to Franklin D. Roosevelt's brain trust, which finally was gently removed from the centers of power. In the United States, Congress acts as a brake on the bureaucracy, but this is not so in Mexico. Dr. Einaudi suggested that the United States is currently moving away from technicians and that the politicians are regaining control. Ambassador Jova said he thought the grass roots contacts of the government had been underestimated, pointing out that the President of Mexico, his cabinet and their wives spend a great deal of time in rural areas receiving all comers and learning at first hand of their aspirations, often taking remedial action on the spot.

There was also some discussion as to whether Mexican politics would move towards greater participation or increased depoliticization. On one side it was pointed out that the increase in urban population and educational levels would most likely bring about increased awareness of national problems and an active interest in them; the rural area had always seemed most docile while in recent elections the PRI margin in the cities had been quite narrow; the professional groups and students were already active. Drs. Segovia and Stevens, however, thought these groups were not well organized and had little influence; Dr. Segovia doubted there would be significant national participation in the next ten years. In another connection Dr. Segovia said he did think Congress, because of its increased opposition representation and higher educational levels, might exercise more influence than in the past.

In contrast, another commentator thought that the existing type of government in Mexico was well adapted to the desires of the people and that depoliticization might result from the lack of substantial opposition.

Mexican Migration to the United States
The View from Rural Sending Communities

Wayne C. Cornelius & Juan Diez Canedo, M.I.T.

Professor Cornelius and Dr. Diez Canedo shared with those attending the symposium some preliminary and tentative findings of their still incomplete research project on the causes and consequences of out-migration from five small communities in the State of Jalisco in the area called "Los Altos." These villages were chosen because of heavy out-migration to the large cities of Mexico and the United States. Approximately 75 of the residents of the villages were interviewed and included legal and illegal migrants who had returned from the United States, the relatives of migrants still there and residents of the communities not themselves migrants.

The study tended to indicate that out-migration was of substantial economic importance to the community, acting both as an escape valve for socio-economic pressures and as a source of foreign exchange to the national economy. It also showed that the United States derived appreciable benefits in terms of disagreeable labor performed at low cost and in taxes paid by the migrants. Some displacement of American labor was noted, but the cost of putting an end to illegal migration was considered prohibitive.

Research conducted to date indicated that social and economic conditions in Los Altos were primarily responsible for out-migration, of which about 40% was to the United States: there is high population increase, poor soil, variable rainfall and little new land for cultivation. Migrants to the United States sought employment at higher wages than those locally available and usually achieved their objectives since only one in four approximately were detected by the Immigration Service and repatriated. The appreciable cost of legal migration or of using the services of professionals to assist in border crossing and travelling to the prospective work site prevented the poorest laborers from migrating.

The interviews indicated that few of the illegal migrants made use of social services in the U.S. while nearly all had income taxes deducted from their salaries, paid social security and local sales taxes. California was the single most popular destination because jobs in agriculture were nearly always available; Texas and Illinois were the next most frequent destinations. Migrants to the north were more likely to be employed in industry and earn higher pay. It is here that competition with American labor is most intense.

The success of the migrants is shown by the substantial sums sent back through money orders to Mexico: the study showed \$106,705 in money orders from the U.S. processed by the Banco Nacional de Mexico on September 19, 1975 alone. These funds not only contributed to the subsistence of the migrants' families but in many cases were used to make capital acquisitions which increased local agricultural or industrial production.

According to the study, relatively few of the migrants failed to return to Mexico; in addition to family ties, migrants said they were motivated to return by the severity of the labor they performed, the unrelenting pace of life and work, the cold winters and the lack of status in the community. On the other hand, periodic migration to the United States has become a way of life for many who return regularly every year.

Professor Cornelius and Dr. Canedo concluded that the pressure of migrants against the immigration barriers was so intense that no enforcement efforts compatible with respect for human rights and economically feasible would shut it off. Attempts to do so would first cause increased migration to Mexico's already crowded large cities and eventually to land invasions in Mexico and serious confrontations with landowners and the police.

Comments

Dr. Jorge Bustamante, Colegio de Mexico

Dr. Bustamante said he considered the research performed by Drs. Cornelius and Diez Canedo to be valuable but pointed to several limitations. Besides the small size of the sample, he noted that the statistics gathered did not distinguish between legal and illegal migrants and between the earnings of legals and illegals. His impression was that the out-migration was less beneficial to Mexico than Dr. Cornelius had implied; in this connection he mentioned the large payments to the coyotes - the guides and transporters of illegal emigrants - and the fact that an illegal would need to work about three months to earn back his travel expenses. He also thought the ease of getting work had been exaggerated: statistics indicated that 50 to 55% of illegals were apprehended before obtaining work and that an even higher percent were picked up within 72 hours of their illegal entry.

In reply, Dr. Diez Canedo pointed out that Dr. Bustamante's statistics dealt only with illegals who were apprehended while his investigations showed that only about one of every four illegals was caught; they were, in fact drawing data from different groups. Dr. Bustamante also took exception to the argument that illegal migration must pay off most of the time or there would not be so many migrants; he believed that the successful ones bragged about their experiences and thus encouraged others to try, while the unsuccessful migrants tended to conceal their failure. The myth of the availability of ready employment was contradicted by the number of unemployed in the United States. In his view, the most practical solution was to improve conditions in Mexico by attacking the unemployment problem there.

Mr. David North, Trans-Century Corporation

Mr. North said his company was making a study for the Department of Labor on the effect of illegal migrants on the American labor market; his information was also drawn exclusively from illegals apprehended by the authorities. He stated that his research confirmed to a considerable extent the information gathered by Drs. Cornelius and Diez Canedo. For example, he had found that illegal migrants sent back an average of \$129 monthly to Mexico and were not generally involved in public welfare programs. However, he also had ascertained that illegals worked longer hours for less pay than American labor and that their impact was on the least advantaged labor groups: blacks, chicanos and women. They tended to depress wages and lower working conditions; they helped to keep in business firms which would otherwise go out of business or adopt more efficient production methods. He thought

the Rodino bill, which would make it a punishable offense to employ illegal migrants, would have some effect, but said he would prefer some form of work permit - a national identification system which would make it easy to distinguish between Americans of foreign descent and legal immigrants on one hand and illegals on the other.

Comments from the Floor

Dr. Caesar Sereseres commented that migrants - temporary laborers - had a considerable advantage over domestic labor because of their mobility; they could go wherever work was available and move on when it finished. He believed the reported opposition to the former bracero program was due to its control by the PRI in Mexico for political purposes. At this time and on a later occasion Dr. Sereseres emphasized that the burden of the illegal migrants falls upon the lowest segment of American labor and that the Spanish-speaking community is especially disadvantaged through such competition and police harrassment.

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Friday, March 19, 1976

Introductory Remarks
Assistant Secretary William A. Rogers
Department of State

Assistant Secretary Rogers had been unable to attend the first session but opened the second day's meeting with a discussion of the present thinking about Latin American policy in the Department of State. He said that Secretary Kissinger's visit to Latin America had provided the opportunity for some fresh thinking about the basic elements of our hemispheric relations. In his talks with Latin American leaders the Secretary had attempted to convey the idea that, although world peace and security are primary concerns to the United States as development is the primary concern of Latin America, there are large areas of intersection which should make possible the working out of mutually satisfactory relationships.

A first step toward a new relationship would be the elimination of old issues. At present only the Panama Canal problem represented a problem with which the whole hemisphere was concerned; this is under negotiation and its solution is a cardinal principle of U.S. foreign policy. Cuba, which had been a hemispheric problem, was no longer acute since the San Jose OAS meeting last year had left each country free to decide for itself the nature of its relations with Cuba.

New issues to be faced include the construction of a different economic relationship. In this field, Secretary Rogers said the fact of interdependence was the key to understanding. The United States cannot and will not attempt to "go it alone" -- retire into isolationism. In the past we had attempted to deal with Latin America as a unit; now we realize that relations are primarily bilateral, involving such issues as migration, drugs, etc. This should not be regarded as an effort to divide and conquer; this is not our intention, and we are prepared to deal with multilateral problems in multilateral forums.

Turning to multilateral approaches, Secretary Rogers said the revitalization of the OAS was an important policy objective of the United States, but that we were prepared to work with the Latin American Economic System (SELA) if, and in the way, the Latin Americans desire. We would prefer a multilateral approach to the problem of human rights and were willing to work out codes of conduct for multinational corporations. He also expressed a willingness to negotiate commodity agreements and to continue U.S.

financial support for the Inter-American Development Bank (IDB). Finally, the United States would continue to carry out its commitments under the Rio Treaty.

In conclusion, Mr. Rogers said Mexico provided the acid test of an effective Latin American policy. Mexico was extremely important to the United States; geography had enforced a consultative relationship long ago, and this would be continued.

Economic Growth in Mexico: Summary View
Clark W. Reynolds, Stanford University

Mr. Reynolds briefly reviewed the policy frame within which the next two Mexican administrations would have to operate and the relationship between the economic constraints limiting their freedom of action and the demands for social changes which they might expect to face.

Governments, especially those of Mexico and the United States, are based on the consent of the governed, but their ability to comply with those demands is limited by their resources, physical and human, and the distribution of the national production externally and among various segments of the population. To date neither Mexico nor the United States have used economists extensively to plan the distribution of these scarce resources to meet the limitless demands of the people. Now, however, it is feasible to use an integrated social accounting approach to plan the production of goods, the distribution of income and the accumulation of wealth, and to show how the monetary and financial system plays a key role in the process together with fiscal and price policies and the other regulatory measures. In this way alternate paths to development may be examined and the social consequences of wealth distribution determined.

Dr. Reynolds then presented statistical tables to highlight the nature of the changes which have taken place in the Mexican economy since the Revolution and concluded that Mexico's recent experience has been one of impressive growth which has, however, required massive migration and relocation, both within Mexico and to the United States. Wide gaps have appeared in the returns from this growth between different sectors of the population and between different geographical regions. The changes caused by this growth imply pressures for the reform of institutions, and the next administration will have no choice but to bring about massive fiscal and financial reforms, the burden of which must be largely shouldered by the middle and upper income groups.

To do this will require the cooperation of all the organized sectors of the community, a "New Deal" which can galvanize the imaginations of large segments of the population. This will also require a sympathetic understanding by the United States and an avoidance of intervention as in the days of Cardenas and FDR. Dr. Reynolds said he believed it lay within the competence of both countries to provide the type of pragmatic leadership needed.

Comments

Dr. Leopoldo Solis, Princeton University

While not disagreeing fundamentally with Dr. Reynolds' presentation, Dr. Solis expressed restrained optimism about Mexico's economic future. He said that the economy had shown some weakness during the 60's in export capacity, finance, and the absorptive ability of the labor sector; in the 70's the economy had turned into new paths and there had been some maladjustment. There had been heavy public and private investment in the creation of tourist facilities. The export capacity of the mining sector had increased; and exports of manufactured products had also increased, both from the border zones and from the interior of the country. As the world economy improved, he believed Mexico would do even better.

Dr. Solis noted changes for the better in domestic regulations: taxation had been rendered somewhat more equitable; the budget had been shaped to devote more attention to social factors and the portion devoted to agriculture had been substantially increased, with aid being provided to subsistence agriculture where it had the most impact on redistribution of income. In 1975 agricultural production had increased 4% -- more than the rate of population growth -- and he thought Mexico might in the near future become self-sufficient in foodstuffs. Taken together with the prospects for petroleum development in Chiapas, he considered the outlook generally good.

John Koehler

U.S. Congressional Budget Office

Mr. Koehler seemed to favor a pragmatic approach to Mexican economic problems; he noted that problems which in the past had appeared almost insoluble had been handled without resorting to subtle or complex policies. He thought that Mexico had followed a few simple guidelines for growth and that these had been effective; consistency was more important than brilliance.

Mr. Koehler went on to say that, in the abstract, he did not oppose the construction of social science models, but he thought that the purpose for the construction should always be kept in mind; he questioned the utility of larger, complex models. The presentation of options based on the model, however neutrally this might be done, would be regarded as politically motivated by groups whose interests were affected. In sum, he hoped Mexico would continue to use simple, direct methods.

Dr. Rosario Green, Colegio de Mexico

From her studies of the Mexican economy, Dr. Green concluded that the external debt of Mexico was one of the main factors limiting economic growth. As part of the strategy of "stabilizing development" in vogue during the 60's, Mexico found that external loans provided the ideal mechanism for overcoming the deficit in the balance of trade and also in many cases for covering deficits in purely domestic programs stemming from insufficient tax revenues. Many public sector enterprises operated at a loss in order to provide low cost services.

Initially Mexico obtained loans at low interest rates from the International Bank for Reconstruction and Development and the Inter-American Development Bank. Some loans were also contracted with the Export-Import Bank which were less advantageous as such loans were tied to purchase of U.S. products, thus eliminating the possibility of international competition. Later, Mexico has had recourse to loans from private sources, primarily banks and suppliers credits. Both of these are more expensive to service than loans from public sources.

When the Echeverria administration took office, it endeavored to end Mexico's dependence on foreign financing, but the resulting decline in public investment caused a depression which by the end of 1971 had slowed the growth of the Mexican economy to the lowest point in 30 years: 3.7%. Consequently the government resumed the contracting of foreign loans which, by May 1975 had reached a total of \$8,000 million - a total which is probably exceeded today. Service on the foreign debt currently requires about 25 percent of Mexico's total foreign exchange earnings. This threatens to force a reduction in imports which would hamper the country's efforts to industrialize, grow and develop.

All this shows the growing external dependency of the Mexican economy: it limits growth, forces the country to accept decisions on economic policy made abroad and carries a high economic, social and political

cost. This situation requires Mexico to adopt radical though unpopular measures, such as a genuinely progressive tax reform, a dynamic policy of export promotion, a policy to rationalize imports, to encourage foreign tourism and restrict the expenditures of Mexican tourists abroad and to control smuggling. Finally, it will be necessary for the higher income groups to participate more actively in financing public services and for the exchange rate of the Mexican peso to be adjusted to its true value.

Further Comments

Dr. Reynolds commented that the undervaluation of the peso in 1954 had avoided need for frequent devaluations subsequently and had permitted a long period of exchange stability. However, it might be that now further devaluation would be advisable, in which case he suggested that holders of obligations affected by devaluation should be recompensed as a means of preserving confidence and encouraging voluntary repatriation of funds held abroad. He said he favored floating exchange rates.

Dr. Penalosa said devaluation presented many difficulties and asked whether Dr. Reynolds had considered all the factors. Dr. Reynolds said devaluation would in the short run help the balance of payments but in the longer term, he favored it for reasons of financial stability.

Mr. Luers asked whether there was anything the U.S. Government could or should do. Dr. Reynolds said there was nothing but to avoid intervention at all costs. Rather drastic changes should be anticipated in Mexico and this might bring pressures for intervention as in times past. For instance, higher taxes and more social programs might be introduced. Mr. Luers stated firmly that there was no thought of intervention in any foreseeable set of circumstances.

Several participants commented on the relation between Mexico's development and the population problem. Fear was expressed that the rural population would not take advantage of programs for limiting births because of low income, poor education and the influence of the Catholic Church. Dr. Reynolds said fertility rates are still high in Mexico but statistics to demonstrate the effectiveness of the government's program were not yet in; Costa Rica had experienced a substantial decline in natality. Meanwhile, in Mexico, out-migration would still have to play an important economic and social role.

Mexican Foreign Policy: Recent Developments
 Bernardo Sepulveda Amor, Colegio de Mexico

Dr. Sepulveda commenced by setting forth the basic principles of Mexican foreign policy as enunciated recently by the President, (a) strengthening national independence; (b) determination of external elements which support internal development; and (c) building a just world order which will lead to peace.

To make these principles effective, Mexican foreign policy had undergone a change since 1970: whereas Mexico had generally given primary attention to internal institutional development and had abstained from entangling foreign agreements and had based its foreign policy on legalistic concepts, it now takes a much more active interest and role in the affairs of the community of states. Economic considerations have become predominant, and the myth of two separate policies - domestic and foreign - has been abandoned.

The following factors have been evident in Mexico's recent foreign activities:

- the objective of taking a more significant part in the international order;
- the objective of expanding Mexico's range of negotiation abroad as, for example, by sending and receiving numerous political and economic missions;
- the objective of intensifying relations which may result in a substantial increase in economic interchange;
- the promotion of ideological pluralism on a basis of political democracy and international economic equity.

Latin America

The present administration has endeavored, Dr. Sepulveda said, to establish cooperative relations with the other countries of the Indo-Latin community which would go beyond the mere reduction of barriers to trade. This has resulted in putting the Latin American Free Trade Area (LAFTA) on the back burner and in the creation of the Latin American Economic System (SELA), whose objectives are:

- to establish multinational Latin American enterprises;

- to insure stable markets and prices for basic products and manufactured articles;
- to define the principles for the conduct of multinational corporations active in the area;
- to stimulate commerce, financial interchange and economic collaboration.

In line with this policy Mexico has shown increased interest in the Caribbean area, concluding agreements for the multinational processing of bauxite with Jamaica and Venezuela and establishing the Caribbean Multinational Shipping Company with seven other Caribbean countries. Mexico has also striven to establish closer political cooperation among the Latin American states as in the case of the Panama Canal.

The Third World

Mexico has definitely associated itself with the Third World, based on community of interests in breaking relations of dependency to achieve full development. Mexico has proposed a System for Third World Development to serve the following purposes:

- defense of prices of raw materials produced by developing countries;
- strengthening the terms of trade;
- guaranteeing optimal conditions for the importation of goods, capital and technology.

The Third Ministerial Meeting of the Group of 77 held in Manila in February 1976 approved a proposal for cooperation along these lines.

The International Economic Order

Dr. Sepulveda said the traditional principles of international economy had, in the Mexican view, demonstrated their ineffectiveness and were actually hindrances to economic development. The Mexican principles for restructuring the international economic system had been drawn up in a charter which had been accepted by the overwhelming bulk of the underdeveloped countries. The new economic system would be based on the following principles:

- full and permanent sovereignty of states over their natural resources;

- right to control foreign investments in their territory;
- power to supervise the activities of trans-national corporations within their jurisdictions;
- right to nationalize foreign property with appropriate compensation;
- non-discrimination in international trade against any state, regardless of its political, economic and social system;
- right of every state to belong to organizations of producers of raw materials.

Foreign Investment and Transfer of Technology

Since 1972 Mexico has replaced administrative rulings by legislation to control foreign investment, limiting it to certain fields and establishing the principle of a majority of domestic capital in every enterprise. Foreign capital should increase exports and not be used to purchase domestic businesses.

As for the transfer of technology, Dr. Sepulveda said limitations had been established to prevent excessive charges and avoid restrictions on the sale of products produced using the imported technology. As a result of this legislation, Mexico had prevented the loss of 2,000 million pesos between 1973 and 1975.

Foreign Trade

Countries in the course of development are constantly faced with lower prices for their exports and rising prices for their imports. This results in a constant deficit in the balance of payments. Mexico has adopted certain guidelines to insure the best possible terms of trade for Mexico.

Use of Resources of the Sea.

Dr. Sepulveda pointed out that Mexico had played a leading part in gaining recognition of the principle that the coastal state has jurisdiction over maritime resources to a distance of 200 miles from the shore. In harmony with this principle Mexico has asserted its exclusive jurisdiction over the Gulf of California. As for the resources of the seabed outside the 200 mile limit, Mexico considers they should be the patrimony of all mankind, controlled by an international organization.

Conclusion

Dr. Sepulveda said that Mexico's new foreign policies have now been in effect for five years and that it is now time to evaluate what has been obtained. Such evaluation should be designed to determine which objectives and instruments best serve the national interest and to separate the substantive from the ephemeral; only thus can Mexico's international policies be clarified for the next ten years and beyond.

Comments

Dr. Karl Schmitt, University of Texas

Dr. Schmitt commented that while the goals set forth by Dr. Sepulveda were entirely legitimate, he thought they involved contradictions which should be resolved. For instance, Mexico wants to be less dependent on the United States and have closer relations with the other Latin American countries, yet trade relations with the U.S. were far larger in volume than trade with the rest of Latin America. Would Mexico decrease dependence by barring tourists, closing border industries or stopping trade? Could either side afford to stop cooperation in suppressing drug traffic? Dr. Schmitt wondered whether SELA was an effective instrument or mostly rhetoric for domestic consumption, and he questioned the utility of the Presidential travels. Turning to more specific issues Dr. Schmitt asked what was Mexican policy toward cooperation with the U.S.? on emigration problems? on foreign investment? on the Rio Treaty and world security problems? For example, he asked, would Mexico supply troops to help the UN maintain peace on the Golan Heights? Finally, Dr. Schmitt thought that the conduct of Mexican foreign relations, while not devoid of principle, was basically pragmatic. In this connection he mentioned OPEC as an example: Mexico had announced it would not join OPEC but would charge OPEC prices for any oil exported.

Dr. Sepulveda replied that many Mexicans also would like to know the answers to Dr. Schmitt's questions; nevertheless, he would attempt to answer some. On dependency, he considered a fair degree of trade diversification possible and thought this preferable to dealing exclusively with the United States; the process would be gradual but a start should be made. The President's trips help start relations with other countries. SELA was not the sole answer to Mexico's foreign relations problems and might indeed create some problems, but it is an approach to integration on a wider plane than was possible under LAFTA. He said he thought the possibility of creating Latin American multinational corporations had real possibilities for promoting trade.

Dr. Sepulveda went on to say he did not favor closing border industries or barring tourists; policies should be positive, not restrictive or negative. The drug problem should be handled as a foreign policy problem, not as a simple police problem. As for the use of Mexican troops in peacekeeping operations, he thought there were other ways of furthering the cause of peace without using troops, and he considered the use of peacekeeping operations under the Rio Treaty to be illegal. The two countries should work together to find a solution to the migration problem and agreed that Mexico is indeed pragmatic in its foreign policy.

In answer to a question from the floor about the attitude of the Mexican academic community towards the new foreign policy, Dr. Sepulveda said there was much criticism on the ground that dependency was a natural situation; in his view, however, a degree of diversification would be preferable and strengthen Mexico's negotiating position.

Dr. Green said she supported the idea of selective lessening of dependency, but this did not mean the end of all relations with the United States, the good with the bad. Mr. Luers said he saw some merit in SELA and the Charter of Economic Rights and Duties: they provided a means of focusing on the problem areas and finding means of reaching solutions, a thought with which Dr. Penalosa generally agreed.

Mexican/U.S. Relations Over The Next Decade

David Ronfeldt, Rand Corporation

Caesar Sereseres, University of California, Irvine

Dr. Ronfeldt, the first speaker, expressed the view that the United States has a special relationship with Mexico but not a special policy: a general concept of policy publicly accepted on both sides is lacking. The break occurred when the U.S. used forceable methods to obtain Mexican cooperation in suppressing the drug traffic and again when the United States failed to exempt Mexico from the special 10% surcharge on imports. Dr. Ronfeldt then examined the problem of whether a new policy needed to be formulated.

He pointed out that, despite some disorder and talk of an institutional crisis in Mexico, he saw no need for new U.S. policies on this score. Economically, the United States is recovering and Mexico's economic prospects are good, especially considering the discovery of large oil reserves and the diversion of increased government resources to agriculture. There have been changes in Mexican

foreign policy - a more active role and closer association with the Third World - but this constitutes no threat to the United States nor does it require development of new policies. Dr. Ronfeldt reached the same conclusions in connection with investment problems, the drug traffic and the problem of emigrants. In sum, he concluded that neither Mexico nor the United States could take the other for granted; day to day problems should be solved by consultation; no doubt there would be hard bargaining, but there was no need for new policies.

Dr. Sereseres said that the "special relationship" depends on the manner in which bilateral problems are solved. Traditionally relations have been based on the exchange of capital and technology and a fairly open border. Current problems are migration, drugs, smugglers, etiquette in dealing with each other's citizens at the border, pollution, fishing rights and oil and energy problems. These are less country-to-country issues than they are problems between sub-groups in both countries: businessmen, drug pushers, fishermen etc. Those groups are all factors in domestic politics and thereby create constraints in dealing with the problems. For example, the State Department is limited by Congress, the courts, local interest groups and the Spanish-speaking community. Illegal migrants weigh most heavily as a burden on the domestic Spanish-speaking groups, which may soon become the largest minority group in the United States. In conclusion Dr. Sereseres said that the solution of problems is a question of dividing up the benefits: both sides of the border, someone gains and someone loses in each solution.

Comments

Dr. Mario Ojeda, Colegio de Mexico

Dr. Ojeda stated that the special relationship between Mexico and the United States, so frequently referred to, had not been invented by Mexico but proposed by the United States. Whenever the United States was involved in a threatening international situation, as in World War II and the Cold War, it felt the need of settling outstanding problems with Mexico, which has great strategic importance to the United States. About 1970, however, there was a fundamental change: U.S. relations with the Peoples Republic of China and the U.S.S.R. became more relaxed, and concern over Cuba diminished. The United States became less interested in a special relationship and Mexico also changed its policy emphasis. President Echeverria, in the interests of domestic stability, intensified relations with the Third World and with Leftist regimes, such as that of Allende

in Chile. In these circumstances Operation Intercept and the 10% import surcharge signaled the end of the special relationship.

Samuel del Villar, Excelsior
Colegio de Mexico

Dr. del Villar presented his comments under four headings:

1. The Current Status of Relations

He said that relations were unbalanced from a social, economic and political point of view: The United States is rich and powerful and has had reasonable success in distributing benefits among the bulk of its population, while Mexico is poor, has little influence and has great disparities in the distribution of wealth. This unbalanced relationship results in injustice since Mexico's destiny is linked to the will of the U.S. regardless of Mexico's wishes. Political scientists are little concerned with justice or injustice; rather they and policy makers are concerned about the degree to which policies are stable and functional.

Dr. del Villar said that, in his view, Mexican-U.S. relations were characterized by the following features:

(a) The Mexican trade deficit and the consequent outflow of labor to the United States and the inflow of U.S. investments and loans.

(b) A growth of Mexican interests in the United States and of American interests in Mexico; however, due to the unbalanced nature of the relationship, the United States was much more able to protect its interests in Mexico than vice versa.

(c) Mexico is unable to overcome the burdens arising from its trade deficit and from the pattern of U.S. interests in Mexico.

2. What are the Probable Consequences of this Situation?

Dr. del Villar foresaw a crisis in Mexico's external economy as unavoidable: he did not think Mexico would be able to keep up its debt payments and hence a moratorium would be inevitable. He feared that the depression of the economy would persist and that social unrest and political instability would result.

3. How do Policy Makers on Both Sides View the Problem?

Dr. del Villar said he thought there was a serious degree of shortsightedness on both sides. Neither side took a comprehensive

view of the problems, or understood how they were linked and their consequences. Assistant Secretary Rogers had viewed problems largely in terms of migrants, drugs and the treatment of U.S. nationals in Mexican jails and felt that the economic problem could be solved by insuring U.S. access to Mexican oil and minerals. On the Mexican side, the solution was seen in terms of international collective bargaining in multilateral forums. This policy did not disturb U.S. diplomacy, which did not view it as a threat.

The policy making apparatus on both sides appeared unprepared to face a breakdown with its consequence of social unrest.

4. To What Extent Can Policy Makers Alter the Situation?

Dr. del Villar saw the possibilities of successfully confronting the situation as poor. There was much ignorance: neither side was aware of the dangers of the situation. The internal political situation in the United States created difficulties, especially the federal system which rendered solutions difficult. There were many constraints on the U.S. executive. In short, he did not believe the necessary resources for negotiations would be forthcoming.

Comments/Questions From the Floor

Dr. Solis asked what had happened between 1968 and 1971 to cause the end of the special relationship. In '68 Mexico had been exempted from the restrictions on foreign investment and not in 1971 from the import surcharge. In reply it was pointed out that on one hand President Johnson had a strong personal interest in Mexico and protected it from several possibly adverse actions; on the other hand it was noted that all Latin America had been exempted from the 1968 investment restrictions while in 1971 a situation of panic prevailed and no thought was given to the possible damage to Mexico.

Dr. Luigi Einaudi commented that the events of 1971 should not be considered as a watershed from which there was no return. Ever since World War II the United States has had global interests and its attention to the Western Hemisphere had been sporadic. He thought that perhaps Secretary Kissinger had desired to ascertain whether the basis for a special relationship existed when he proposed his new dialogue, but the response, especially from Mexico, had been negative on several approaches. Instead of strengthening its bargaining position, Dr. Einaudi thought Mexico's Third World emphasis was eroding its position since it weakened those who wished to establish a new relationship. To this Dr. Ojeda replied that Mexico was not asking for a special relationship.

Mr. Luers confessed to a degree of uncertainty about policies and to a tendency of policy makers to focus on immediate, day-to-day problems. However, he said he believed dialogues like the one we had been holding in this symposium could help to clarify issues and eventually to solve problems.

Ambassador de Olloqui noted the existence of some semantic difficulties about the "special relationship" and said special relations exist whether written down or not. Some one had said that U.S. Americans were pragmatic; Mexicans were also, otherwise they could not have survived so long in the proximity of their big neighbor. He pointed out that many pertinent topics had not been explored in the symposium, such as the role of the private sector; often Mexicans could find no Government entity with which to deal.

He had hope, however, that the many minor irritants in our relations could be removed.

Dean Wolfe declared the meeting ended.

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